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DE RUEHME #7054/01 3561913

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FM AMEMBASSY MEXICO

TO RUEHC/SECSTATE WASHDC PRIORITY 4700

INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE PRIORITY

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UNCLAS SECTION 01 OF 03 MEXICO 007054

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SUBJECT: MEDIA WARS: THE CONTINUING DEBATE OVER
ESTABLISHING A THIRD TV NETWORK IN MEXICO

REF: MEXICO 1080

¶1. (U) Summary: The new head of the Secretariat of Transportation and Communications (SCT) Luis Tellez has been sending mixed signals this past week over whether or not the Calderon administration will push for the opening of a third television broadcast channel in Mexico. Both Tellez and a commissioner of Cofetel have been quoted as saying that Q&additional analysisQ8 is required before granting a license for a new company to compete with broadcast television duopolists Televisa and TV Azteca. For their part, the two broadcasters have continued to attack potential rival General Electric (GE) and its Mexican partner Isaac Saba. The debate has also reached the halls of the Senate. Even if the new government does indeed press for a third station, the steps that need to be taken to open the doors to a new channel in Mexico still remain unclear. Some analysts claim that the apparent hesitancy is due not to inexperience in opening new licenses but to lack of political will. End Summary.

Mixed Signals from SCT

¶2. (U) Media reported on December 14 that Tellez had met earlier in the week with Cofetel to inform the commissioners of president Felipe CalderonQ,s goal of opening the market to a third television broadcaster. Currently, Televisa controls 258 of MexicoQ,s 455 television stations while TV Azteca controls 179. The two companies are responsible for 80% of television concessions and 90% of audiovisual content in Mexico. According to unconfirmed reports in the media, which were later rejected by Cofetel commissioner Eduardo Ruiz Vega, Tellez informed Cofetel that it should work with the SCT to find a way to counter the duopoly and find a legal formula to open the way for NBC-Telemundo to enter the market. Columnist Dar!o Celis of Reforma charged that Tellez had threatened the Cofetel commissioners not to make public their discussion.

¶3. (U) On December 15, however, Tellez held his first press conference as head of the SCT and evaded directly answering questions about authorizing a third television network. He said that CalderonQ,s plans do not include a third national network, but instead focus on licensing regional radio and television channels. Tellez did say that the GOM would be ready to open the fixed telecommunications sector and media to greater foreign investment, but only if the United States and other countries open their radio and television markets to Mexican companies. The statement may have been in reference to NBC/UniversalQ,s suit filed with the FCC against TV AztecaQ,s participation in KAZA in Los Angeles.

Undersecretary for Communications Rafael del Villar said at the press conference that the idea for a third channel had not been rejected but that it would be analyzed.Q8

¶4. (U) On December 14, media reported Cofetel commissioner Gerardo González Abarca as saying that the conditions do not yet exist in Mexico to merit the licensing of a third national television channel in the short run. He claimed that Mexico does not have experience in licensing radio and television frequencies Q(and there is no study over the real necessity of a new alternative, or above all of the type of content that should be offered (by a third channel).Q8 In order to create these conditions, González Abarca said it is necessary to reach agreement between Hacienda (the Secretariat of Finance), the SCT, the Secretariat of

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Governance (Segob), and Cofetel. González did recognize that opening a licensing process in the first trimester of 2007 is one of Felipe Calderón's promises for his first 100 days in office, though Secretary Tellez denied this in his press conference the next day.

The Politics of TV

¶5. (U) The debate on opening a third channel has also surged in the Senate. PAN senators Federico Díaz and Marco Antonio Cortés Mendoza (both on the Senate's Radio, Television, and Cinema (RTC) Committee) came out in favor of a serious debate on the issue, saying that the Federal Radio and Television law need to be revised, particularly regarding the regulation of content. Díaz acknowledged that there are frequencies available for a third channel, and said that the idea of a third network formed by educational and cultural stations should not be discarded. However, Díaz

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also accused PRD senator Ricardo Monreal, who is not on the RTC committee, and his party of trying to pressure the Calderón government to open a third network through Q&political beatings and insultsQ8 directed at Secretary Tellez. The president of the RTC, PRD senator Carlos Sotelo, has not commented on the issue. One PRI senator on the committee voiced objection to opening the sector, claiming that it would run the risk of augmenting the exorbitant costs of political campaigns.

¶6. (SBU) Comment: The political nature of the debate becomes more apparent every day, from the rumors of Q&secretQ8 meetings between Secretary Tellez and Cofetel to Tellez's denial of such a meeting and carefully worded, ambiguous statements on the subject. Cofetel commissioner González in the daily Q&El FinancieroQ8 accused the old SCT leaders of leaving Cofetel with Q&a hot potato.Q8 Q&You have to ask the ex-officials (of the SCT) why they didn't grant new frequencies or commence licensing in their six years in office.Q8 The answer is likely that they lacked the political will to do so. Though no officials like to admit it, the PRI senator's objection may explain why: candidates depend on Televisa and TV Azteca for advertising during the political campaigns. PRD's support of a third channel stems from its opposition to the so-called Q&Televisa LawQ8 passed by Congress in April (reftel), which the PRD and others condemned as strengthening the existing duopoly. Televisa and Azteca in turn angered PRD leaders with their coverage of the hotly contested presidential election and Calderón's inauguration. End Comment.

Televisa and Azteca Pick a Fight

¶7. (U) Outside the political realm, the media wars rage on as Televisa and TV Azteca continue their coordinated attack on Mexican businessman Isaac Saba and his Grupo Xtra, General Electric's (GE) partner in Palmas 26. GE, owner of

NBC/Universal and Telemundo, formed Palmas 26 with Grupo Xtra in April, and the partnership was approved by the GOM in May.

In September, Palmas 26 officially requested that Cofetel and SCT start the process needed for a spectrum auction to open a new network. Since November 20, Mexicans have been treated a series of almost nightly Q&exposQs8 on both Televisa and TV Azteca news program, delving into the world of pharmaceutical distributors. The programs blamed two dominant companies, most prominently Isaac SabaQ,s Grupo Saba, in that industry for killing Mexicans because of the high price of medicines. Both networks have aired interviews with sick and dying Mexicans dependent on medications, as well as with the new Secretary of Health and the president of the Federal Competitive Commission (CFC), to demonstrate how Casa Saba and the other major firm controlling pharmaceutical distribution in Mexico, the Nadro company, had created a monopolistic market, contributing to the deaths of thousands of Mexicans. The interview with CFC president Eduardo PQrez Motta was a particularly interesting inclusion, since PQrez Motta had recently advised Congress that opening a third network would be good for competition. In late November, the CFC also issued a recommendation to open the spectrum and to develop mechanisms to prevent monopolies from building in broadcasting.

¶8. (U) One reporter for duopolist TV Azteca noted:

Q&It is almost impossible to think that someone can create competition in this country, not even foreign competition. If some company from the United States or Canada wanted to compete with Casa Saba, it couldn't because it is prohibited by NAFTA. Q(The worst is that neither Mexican laws nor international treaties have been able to impede Isaac Saba and his empire in the pain they cause Mexicans.Q8 End quote.

¶9. (U) The irony of TV Azteca, which has so strongly fought against Telemundo entering the Mexican market, condemning NAFTA for not allowing foreign investment, has not been lost on other media outlets. Radio and print media commentators quickly picked up on the connection between the reports on Casa Saba and Palmas 26Q,s attempt to enter the television market, while acknowledging that the high price of medicine is indeed a problem in MexicoQ*and has been for decades. On December 7, TV Azteca turned its attention to GE as well as Isaac Saba. The network's news reporters described the Q&black history Q(a story of impunity, abuses, and injusticesQ8 of the Saba family, which Q&has made its fortune

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on the suffering of millions of MexicansQ8 through Casa Saba and its other companies. The reporter went on to say, Q&All this is not enough, and now Isaac Saba Raffoul plans to unite with General Electric, a transnational company accused of unfair monopolistic practices, deception, fraud, and all that you can imagine.Q8 He detailed cases brought against GE in the 1980s and 1990s, as well as problems the company has had in Japan and Spain.

¶10. (U) GE, for its part, responded to the attacks immediately with a paid announcement in newspapers and through radio and newspaper interviews with the company's Mexico director Rafael D!az Granados. D!az drew the line between Palmas 26 and the Televisa/TV Azteca attacks clearly, telling one radio reporter that the Azteca program Q&is very much related to GEQ,s public interest in participating in MexicoQ,s television market. It seems to us at GE that this is another attempt on the part of the television company to impede free competition Q(we consider this to be part of a strategy on the part of the duopoly that wants to protect itself and avoid the participation of GE and its partners in the media market.Q8 Isaac Saba and Casa Saba have refused to comment on the media attacks.

Comment

¶11. (SBU) So far, the Televisa/TV Azteca exposQs have done

little more than provoke some discussion in Congress over the price of medications- and more than a little discussion within the SCT, Congress, and the press over the options for opening a third national network. By apparently coordinating an attack on Casa Saba, Televisa and TV Azteca have demonstrated exactly why Mexico needs another competitor in the television market. Still, regulators seem hesitant to be seen as favoring Telemundo. Cofetel commissioner Gonzlez said to Q&El Financiero, Q8 From what I know, only one company has expressed interest in this opening (of the TV market) and that is Palmas 26; but we cannot open the process for only one company, neither can we fix a price or a concession fee for only one interested party. Q8

¶12. (SBU) For the moment, any talk of opening a third network in Mexico is just talk. After stories in the media that Tellez was pushing Cofetel to immediately look into setting procedures to grant a license for a third network, Tellez and del Villar seemed to backtrack in their press conference, focusing on the need for studies to examine the necessity of a new network and the content it might provide. Even without studies, setting up a licensing and concession process could take years. If they are serious about opening licensing for an additional national TV network or networks, Calderon's team should set a clear timeline for opening the television market, both regionally and at a national level, and enforce deadlines for when Cofetel must issue guidance on the licensing process.

¶13. (SBU) In meetings over the coming months with the new Calderon government, Post will stress the importance of encouraging competition, especially in the telecommunications sector. Given commissioner Gonzlez's assertion that Mexico lacks experience in licensing, we also encourage views from Washington as to how to provide support to Cofetel and the SCT on the licensing process. Competition is not the only issue in play here. Mexico's laws limit foreign investment in the country's media. Earlier in December, Senator Javier Orozco demanded vigilance of GEQ's role in Palmas 26, and Secretary Tellez alluded to the U.S.'s own restrictions on

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foreign ownership of media in his press conference.

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